

**Proposition 1B:
Goods Movement
Emission Reduction Program
Local Public Entity Project Application
“Locomotives”
FY 2015-16**



San Joaquin Valley
AIR POLLUTION CONTROL DISTRICT

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Attachments

Attachment A – SJVAPCD Budget - Fiscal Year 2015-16

Attachment B – SJVAPCD Annual Financial Report (Audit) 2014

Attachment C – SJVAPCD Community Meeting Minutes and Email Notification

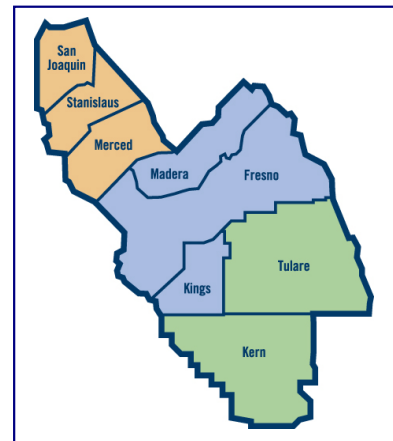
Attachment D – Board Resolution

General Information

Experience Administering Other Incentive Programs

The San Joaquin Valley Air Pollution Control District (SJVAPCD) has over 22 years of experience implementing highly successful voluntary incentive programs. The SJVAPCD operates incentive programs aimed at reducing precursor emissions: the Heavy-Duty Engine Emission Reduction Incentive Program (Heavy-Duty Engine Program), the Reduce Motor Vehicle Emissions II (REMOVE II) Program and multiple other programs. To date, the SJVAPCD has awarded over \$700 million in incentive funds, achieving over 150,000 tons of emission reductions from trucks, other on-road equipment, and off-road equipment including engine replacement, vehicle replacement, and retrofit projects. The engine replacement, equipment replacement, infrastructure, and retrofit projects include:

- More than 6,900 agricultural engines
- More than 50 forklifts
- More than 40 locomotives
- More than 3,800 pieces of off-road equipment
- More than 5,600 pieces of on-road equipment
- More than 2,800 school buses
- More than 200 truck stop electrification units
- More than 55 Ag-UTVs
- Fifteen infrastructure projects
- One marine vessel



The SJVAPCD's incentive programs currently fund the following types of projects:

- Diesel agricultural irrigation pump replacement
- Electric forklift purchases
- On-road and off-road vehicle engine replacement, engine retrofit and vehicle replacement
- School bus replacement and retrofit installations
- New clean vehicle purchases
- Locomotive replacements
- Vanpool incentives
- E-mobility equipment (i.e. telecommuting and webcasting equipment)
- Bicycle path construction
- Transit pass subsidies
- Gross polluting vehicle repair and replacement program
- Wood stove replacements
- Lawn mower replacements

- Emerging technology demonstration projects (i.e. any new technology that is not currently state or federally certified)
- Charge Up! provides funds for business and public agencies to purchase and install electric vehicle chargers for public use.
- Alternative Fuel Mechanic Training provides funds for mechanic education or training in alternative-fuel vehicles and infrastructure.
- Public Transportation Subsidy and Park & Ride Lots provide funds to subsidize transportation passes for bus, shuttle and commuter rail services.

SJVAPCD incentive programs are funded with a variety of local, state and federal sources. Current and pending sources include:

- Department of Motor Vehicle (DMV) Surcharge Fees
- Indirect Source Review Fees
- State Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program)
- State Proposition 1B Goods Movement Emission Reduction Program bond
- Voluntary Emission Reduction Agreement (VERA)
- Federal Diesel Emission Reduction Act (DERA)
- ARB – SEP – School Bus Retrofit and Replacement Program
- Green House Gas Reduction Fund (GGRF)
- The Air Quality Improvement Program (AQIP) – AB 118
- Advance Emission Reduction Option (AERO)

The funding for incentives has increased each year and the SJVAPCD has implemented several streamlining measures and increased staffing to effectively meet these demands. The amount of funding currently available to the SJVAPCD for incentive-based programs is over \$100 million per year.

The SJVAPCD Strategies and Incentives Department (SID) has gained a reputation for excellence and has become a model for grant programs throughout the State. In 2011, the SJVAPCD participated in several successful state audits of the incentive program, including the California Air Resources Board (ARB) and State Department of Finance. In these audits the SJVAPCD was lauded for its efficient, robust and effective use of incentive grant funds in reducing air pollution. ARB commended the SJVAPCD on its incentive programs. Several SJVAPCD practices have been instituted by ARB as "best practices" for all air districts in the new Carl Moyer Program guideline revisions, including invoice scrutiny and pre- and post-inspection processes.

Outreach

The SJVAPCD has a successful multi-faceted outreach program that includes targeted mailing, emails to notification lists, public meetings, town-hall meetings, personal phone calls to equipment vendors, multi-media advertising, and much more. Most of the SJVAPCD's incentive programs currently operate on a first-

come, first-serve basis with applications accepted year-round. In the past, the applications submitted have far outpaced the available grant funding. During previous rounds of Prop 1B funding, the SJVAPCD has received an average of over 2,500 applications for an average request greater than \$110 million per round.

The SJVAPCD held a pre-application community meeting July 23, 2015 to solicit public comment and feedback on the direction and scope of the Proposition 1B Goods Movement Emission Reduction Program FY 2015-16 (Year 5). The public was notified via SJVAPCD email list-serve and posted on the SJVAPCD website. The meeting was held in the Fresno office and also available via video teleconference in the SJVAPCD's Modesto and Bakersfield offices. Discussion included funding categories, program changes and expected time lines of implementation. Opinions were diverse and included questions about available funding and project eligibility. Most in attendance were familiar with past phases of the grant program and submitted questions about particular details with the newest funding options. See Attachment C for comprehensive testimony and attendance from pre-application community meeting and email notification.

Monitoring and Reporting

Additionally, the SJVAPCD has a robust monitoring and reporting program in place and will incorporate all requirements of the Proposition 1B: Goods Movement Emission Reduction Program Guidelines for Implementation into this program. This includes the pre-inspection, post inspections, annual reporting, and auditing discussed later in this proposal. It also includes remedies, including legal actions to recoup funds for any projects that do not meet reporting or other contractual requirements.

Pre-Inspection

The pre-inspection process includes, at a minimum, collecting the serial number of the baseline engine and verifying the information in the application about the baseline engine (make, model, model year, horsepower). The pre-inspection also verifies the engine is operational and that the engine is working as described in the application (document function and use). "Operational" means that the engine must start and be able to perform its intended purpose. Photos are taken for the file. The photos include the applicant's name, date the photos were taken, and the serial number of the engine. The photos show the engine in the vehicle and a close up of the engine plate. A pre-monitoring form is used to document the pre-inspection. Automated reports and forms are generated by the SID database, which contains all project information, and are distributed to monitoring staff each week. Distributed pre-monitoring inspection assignments are tracked in the SID database to ensure promptness and physical reports listing all outstanding pre-monitoring inspection projects are generated and distributed to appropriate staff. Pre-monitoring inspection reports generated by the SID database consist of a project information sheet and specific engine/vehicle forms. The pre-inspection will be assigned to SJVAPCD staff and then staff schedules

appointments in order to best accommodate the needs of both the grantee and the SJVAPCD. Depending on participant availability, the pre-monitoring inspection is generally completed within fourteen (14) to twenty-one (21) days.

Post-Inspection

Post-inspection occurs after receipt of an invoice from the grantee, but prior to SJVAPCD final reimbursement for the engine. The post-inspection verifies that the engine listed in the contract was installed. Information recorded includes serial number, make, model, model year and horsepower. The engine must be operational in the equipment or vehicle as stated in the contract. "Operational" means that the engine must start and be able to perform its intended purpose. Inspecting SJVAPCD staff visually witnesses all engines start-up and mobile projects operating as intended. Vehicle/engine information is documented with photos. The post-inspection verifies that the baseline engine or vehicle is destroyed or otherwise rendered inoperable in a method approved by the SJVAPCD. Depending on the method of destruction, SJVAPCD staff must see the destroyed engine, witness the engine destruction and take photos of the destroyed engine. The photos shall include the name of the owner and date of inspection. For engines with a complete, fully visible and legible engine serial number, SJVAPCD staff must see the destroyed engine or the receipt from the qualified vehicle salvage yard. For engines without a complete, visible, and legible serial number, SJVAPCD staff stamps or paints the engine block with the project number and is present to personally verify engine removal from the project vehicle or equipment and the subsequent engine destruction. A post-monitoring form is used to document the post-inspection. All post-inspection photos will be maintained in the project file, along with the inspection forms. Post-inspections are performed after a claim for payment packet is received and deemed complete by SID staff. In certain circumstances, SJVAPCD staff will inspect new equipment prior to receiving a claim for payment packet. The operating condition of all engines in each project is verified during the post-monitoring inspection site visit. Automated reports and forms are generated by the SID database, which contains all project information, and are distributed to monitoring staff each week. Distributed post-monitoring inspection assignments are tracked in the SID database to ensure promptness and physical reports listing all outstanding post-monitoring inspection projects are generated and distributed to appropriate SID staff. Post-monitoring inspection reports generated by the SID database consist of a project information sheet and specific engine/vehicle forms. Staff schedules appointments in order to best accommodate the needs of both the stakeholder and the SJVAPCD. Depending on participant availability, the post-monitoring inspection is generally completed within fourteen (14) to twenty-one (21) days.

Auditing

The SJVAPCD audits a statistically significant number of the projects. In addition, SJVAPCD audits include all of the projects whose owners fail to report annually or meet contract requirements. The audit is completed by SID staff and

reviewed by a senior member of the SID. Projects selected for audits, by the methods stated above, receive an audit site inspection from SJVAPCD staff, in order to verify performance expectations as outlined in executed agreements. Additionally, SID staff will verify the accuracy of all calculations, and confirm that the project information contained in the hard copies of the applications matches the SID database information.

The audit includes verification that the engines paid for are still operational in the same vocation and meet the mileage, fuel usage, or hours of operation indicated on the executed contract. This is completed by checking the serial number of the engine; witnessing the engine operate; and checking the odometer, hour meter/usage device, fuel receipts, or global positioning system (GPS).

Annual Reporting

All grantees are required via contract term to produce an annual report for the project. Requirements and format of these reports is included in the boilerplate contract language. Annual reports are required each year on the anniversary of the date of installation, or invoice purchase date, for the life of the project. All annual reports shall be retained by the grantee for a minimum of three (3) years after the end of the agreement. Participants are informed that ARB may audit and monitor the project at any time during the Project Implementation Phase. Annual report forms are automatically generated from the SID database and mailed to participants whose annual reports are approaching the anniversary date. Incoming annual reports are processed by staff and entered into the SID database.

ARB Reporting

The SJVAPCD is required to report to ARB. ARB reports are prepared by SID staff and tracked by the SID supervisor and delegated to senior staff to ensure all reports are complete, accurate, and submitted by the required deadlines. SID staff keeps all reports and information submitted to ARB indefinitely. These include information on the number and types of projects funded, funding amounts, expected emission reductions and cost-effectiveness. The SJVAPCD is fully capable of incorporating any requirements of the Proposition 1B Program into our already robust reporting program.

Staff Contact Information

Agency Director or Executive Director	
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Immediate Supervisor (alternate contact)	

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Person with Authority to Sign Grant Agreements with ARB	
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Project Proposal

This proposal targets the Central Valley Trade Corridor for the Proposition 1B Goods Movement Emission Reduction Program Year 5. The challenges faced by the San Joaquin Valley (Valley) with respect to air quality are unmatched by any other region in the State. The Valley's topography, climate, geography and the presence of two major transportation corridors connecting northern and southern California all contribute to the region's problem. The Valley does not currently meet Federal health-based ambient air quality standards for Ozone and the 2015 Plan for the 1997 PM_{2.5} Standard. PM_{2.5} and has been re-classified as extreme non-attainment for the revoked 1-hour Ozone standard and for the 8-hour Ozone standard. In addition to a comprehensive regulatory program, the 2007 Ozone Plan, adopted by the SJVAPCD calls for a significant amount of incentive funding for the early introduction of voluntary emission reductions. The SJVAPCD's PM_{2.5} Plan is a multi-faceted strategy to bring the Valley into regulatory compliance of PM_{2.5} standards by 2019. With a high percentage of low-income and minority residents, a significant portion of the population in the Valley resides within established Environmental Justice areas, particularly within the Interstate 5 and Highway 99 corridors.

The emissions from goods movement are a significant source of diesel particulate matter (PM) in the Valley and the State, and many of the larger cities in the Valley are home to locomotive rail yards. Locomotives, in particular, present a considerable health risk from diesel PM emissions. Residential areas located close to rail yards have shown a significant increase in cancer risk and can equal or exceed the regional background or regional health risk levels. There is a clear indication that these significant air quality challenges disproportionately affect disadvantaged minority and poor populations given the existing geographic and socioeconomic indicators of the Valley.

The locomotive component of the SJVAPCD's Heavy-Duty Engine Program currently awards up to 85% grant funding for newer, cleaner diesel locomotive engines and locomotive replacements in order to reduce emissions from this source category. Eligible projects are funded with local, state, and federal sources, including but not limited to the Carl Moyer Program, the Federal Diesel Air Shed Grant, and DERA funding. The SJVAPCD has funded the replacement or retrofit of 41 locomotives to date, with more projects currently in the queue.

In addition to SJVAPCD's attainment plans and incentive programs, ARB has identified actions to reduce health risks from diesel particulate matter in their Sustainable Freight Initiative. Zero and near-zero emission locomotive

replacement and retrofit projects align with ARB's Sustainable Freight Initiative and the SJVAPCD's 2015 PM2.5 Plan. In order to transport both domestic and international cargo using equipment with zero and near-zero emissions, it is necessary to change out older equipment with new locomotive replacement and retrofit projects which will help the state meet its sustainable freight goals through early action by rail companies.

Based on this information and the successful implementation of several similar incentive programs, the SJVAPCD is proposing a comprehensive program aimed at reducing emissions from locomotives with funding provided by ARB as outlined in the 2015 Guidelines for Implementation. This program will include options for replacement and retrofit of uncontrolled or Tier 0 through Tier 2 Locomotives.

The SJVAPCD intends to solicit projects in the category discussed below through an open, competitive process. Projects will be ranked and funded in order of cost-effectiveness and in accordance with all program requirements. At the requested funding level, the SJVAPCD intends to fund the following:

- Locomotives and Rail Yards

Legal Restrictions

The SJVAPCD certifies that the local agency projects will achieve reductions not otherwise required by a law or regulation.

Provisions to Customize Proposal

Technology Alternatives

The SJVAPCD proposes to implement four (4) equipment options defined in the "Locomotives and Rail Yards" category of the Guidelines for Implementation.

- Locomotives and Rail Yards
 - **Switcher Locomotive (1,006 – 2,300 horsepower):**
The SJVAPCD proposes to provide partial funding up to \$2,125,000 or 85%, whichever is less, of Proposition 1B funding to replace or retrofit eligible uncontrolled or Tier 0 through Tier 2 switcher locomotives with a new engine or alternative technology in accordance with Appendix B of the Guidelines for Implementation.
 - **Medium Horsepower Locomotive (2,301 – 4,000 horsepower):**
The SJVAPCD proposes to provide partial funding up to \$2,550,000 or 85%, whichever is less, of Proposition 1B funding to replace or retrofit eligible uncontrolled, Tier 0

through Tier 2 medium horsepower locomotives with a new engine or alternative technology in accordance with Appendix B of the Guidelines for Implementation.

- **Line-haul Locomotive (4,001 horsepower or larger):**
The SJVAPCD proposes to provide partial funding up to \$2,550,000 or 85%, whichever is less, of Proposition 1B funding to replace or retrofit eligible uncontrolled, Tier 0 through Tier 2 line-haul locomotives with a new engine or alternative technology in accordance with Appendix B of the Guidelines for Implementation.
- **Locomotive Emissions Capture and Control System:**
The SJVAPCD proposes to provide partial funding up to 80% of eligible costs or funds achieving a project cost effectiveness of 0.10 pounds of weighted emissions reduced per state dollar invested for the purchase and installation of an ARB-approved locomotive emission capture and control system in accordance with Appendix B of the Guidelines for Implementation.

Procedure/Process Alternatives

The SJVAPCD proposes to offer applicants contracts with an eighteen month project completion timeline, with extensions granted on a case-by-case basis as necessary to accommodate expected delivery timeframes. Contract term will be limited by any applicable regulatory constraints and funding will be based on program guidelines.

In addition to the scrap requirements, the SJVAPCD proposes to add the requirement that the old engine must be destroyed by puncturing, torching, or otherwise cutting the engine block with a minimum six-inch serrated, uneven hole.

Geographic Operations

The SJVAPCD proposes to add an eligibility requirement that would require the old and new switcher locomotive to operate full time within the Central Valley Trade Corridor except for periodic maintenance. The SJVAPCD will recruit all eligible medium horsepower and line-haul locomotives operating in the trade corridor. Funding will be provided in accordance with the options outlined in the program guidelines. The SJVAPCD will require that any rail yards eligible for funding for locomotive emissions capture systems must install the system at a yard within the jurisdiction of the SJVAPCD.

Funding Demonstration

The SJVAPCD is requesting \$100 million in Program funds. The table below combines heavy-duty trucks and locomotives. The specific project and administrative allocations requested are as follows:

Option	# Units	Program \$ Per Unit	Applicant Match \$ Per Unit	Total Bond Program \$	Total Applicant Match \$	Total Required \$
Heavy Duty Trucks	1,111	\$45,000	\$45,000	\$50,000,000	\$49,995,000	\$99,995,000
Locomotives	21	\$1,900,000	\$285,000	\$40,000,000	\$5,985,000	\$45,985,000
TRUs	231	\$43,000	\$8,600	\$10,000,000	\$1,986,600	\$11,986,600
Project Funds				\$100,000,000	\$57,966,600	\$157,966,600
Heavy Duty Trucks Administrative Funds (5%)				\$2,500,000		
Locomotives Administrative Funds (3%)				\$1,200,000		
TRU Administrative Funds (5%)				\$500,000		

Based on past experience and upcoming regulatory activities, the SJVAPCD is confident that this program will operate effectively at the funding levels proposed with the Proposition 1B funds. Therefore, at this time, the SJVAPCD is not proposing to utilize any local, state or federal funds as match for this program. The SJVAPCD believes strongly that applicant participation or “buy-in” is essential to maintain the integrity of any incentive program and is therefore proposing a program in which there will be a considerable match requirement provided by the individual applicants. However, the SJVAPCD reserves the right to provide matching funds in the future. Prior to utilizing matching funds, the SJVAPCD staff will obtain approval to use matching funds from ARB and SJVAPCD will ensure that the use of such matching funds is in full compliance with the terms and conditions set forth in the Guidelines. In the table above, the SJVAPCD used the assumptions set forth in the Goods Movement Online Application Database.

The total project cost including Program funds as well as any applicant match is projected to be approximately \$157,966,600, not including the administrative cost of \$4,200,000.

Air Quality Benefits

The information below has been entered into and generated by the Goods Movement Online Database.

Overall Emissions Benefits and Cost-Effectiveness for All Projects				
	Total State Investment (\$)	Total PM Benefits (lbs.)	Total NOx Benefits (lbs.)	Cost-Effectiveness NOx+20*PM (lbs./State \$)
Heavy Duty Trucks	\$50,000,000	0	15,650,000	0.30
Locomotives	\$40,000,000	352,000	5,838,800	0.31
TRUs	\$10,000,000	23,000	744,000	0.11

Staff Resources

SJVAPCD Experience

As stated earlier, the SJVAPCD has over 22 years of experience implementing highly successful voluntary incentive programs. To date, the SJVAPCD has awarded over \$700 million in incentive funding and reduced emissions by more than 150,000 tons.

The SID is responsible for the development, implementation, and continuing administration of all SJVAPCD incentive programs. The SJVAPCD administers two large-scale incentive programs: the Heavy Duty Engine Emission Reduction Incentive Program (Heavy-Duty Engine Program) and the Reduce Motor Vehicle Emissions II (REMOVE II) Program. The SJVAPCD also administers the Technology Advancement Program and Public Benefit Grant Program.

The Heavy-Duty Engine Program is by far the SJVAPCD's largest and most successful incentive program. The Heavy-Duty Engine Program accepts applications for a wide variety of engines that power vehicles or equipment. Heavy-duty trucks, buses, and heavy-duty off-road engines are significant sources of nitrogen oxides (NOx), particulate matter (PM) and reactive organic gas (ROG) emissions within the San Joaquin Valley. Although the SJVAPCD does not have the authority to regulate vehicle tailpipe emissions, it can provide monetary incentives to reduce emissions from these sources. These programs provides funding for equipment replacements, engine repowers, or retrofits that are cost-effective in reducing emissions. Emission reductions are obtained when the project applicant purchases vehicles and engines that are cleaner than required by current emission standards or installs an emission certified retrofit device on an existing engine. Project types funded through this program include, but are not limited to, on-road vehicles (heavy duty trucks, school buses, etc.), locomotives, off-road vehicles and equipment (construction, agricultural tractors,

etc.), agricultural irrigation pump engines, forklifts, and engine idle reduction technology.

The REMOVE II Program provides incentives for specific projects that will reduce motor vehicle emissions within the SJVAPCD. The purpose of the REMOVE II Program is to assist the SJVAPCD in satisfying the requirements of the California Clean Air Act. This is accomplished by allocating funds to cost-effective projects that have the greatest motor vehicle emission reductions resulting in long-term impacts on air pollution problems in the Valley. All projects must have a direct air quality benefit to the SJVAPCD. Eligible project types include high-polluting vehicle scrappage, E-mobility (video-telecommunications), light- and medium-duty vehicle purchase, bicycle infrastructure, alternative fuel vehicle mechanics training, public transportation and commuter vanpool subsidies.

Through the Technology Advancement Program, the SJVAPCD seeks to fund projects that demonstrate bold, innovative and creative, new emission-reduction technologies. The SJVAPCD is seeking technology demonstrations in the areas of renewable energy, waste solutions and mobile sources that will continue to improve the Valley's air quality.

The Public Benefit Grant Program has been designed to meet the needs and challenges faced by Valley public institutions. It provides a wide variety of clean-air public-benefit projects which will offer a direct benefit to Valley residents. Eligible applicants are cities, counties, special SJVAPCDs (i.e. water districts, irrigation districts, etc.) and public educational institutions (i.e. school districts, community colleges, state universities, etc.) located within the geographic area of the SJVAPCD. Program options include new alternative fuel vehicle purchase, including electric, hybrid, CNG, LNG or LPG; new electric vehicle infrastructure; alternative fuel infrastructure; and advanced transportation and transit.

The SJVAPCD Strategies and Incentives Department (SID) have a reputation of excellence and has become a model for grant programs throughout the State. The SJVAPCD has recently participated in successful audits of the incentive programs, including the ARB and State Department of Finance.

In these audits the SJVAPCD was lauded for its efficient, robust and effective use of incentive grant funds to reduce air pollution. ARB has commended the SJVAPCD on its incentive programs and several SJVAPCD practices have been instituted by ARB as "best practices" for all air districts.

Current Staffing

The SJVAPCD Strategies and Incentives Department section, currently consists of 33 permanent and temporary positions and is well positioned to administer existing and proposed incentive programs. These positions include; 1 department director, 1 program manager, 3 supervising air quality specialists, 5 senior air quality specialists, 14 air quality specialists, 2 staff technicians, and 1

air quality assistant. The temporary positions include 5 air quality specialists and 1 student assistant.

Department Director

The director is responsible for planning, organizing, and directing the SID, and provides expert professional assistance to SJVAPCD management and staff in areas involving incentive programs and related matters.

Program Manager

The SID manager is responsible for the day-to-day administration of the SID. The manager is responsible for accomplishing established goals and objectives for the department, providing expert professional assistance to executive staff, and for managing the work of professional, technical, and support staff members.

Supervising Air Quality Specialists

The SID supervising air quality specialists provide first level supervision, including planning, organizing, assigning, reviewing and evaluating the work of SID staff as well as general administrative tasks such as time sheet review, employee evaluations, STAR Program and budget preparation.

Senior Air Quality Specialists

The senior air quality specialists are responsible for the administration of the SJVAPCD's incentive programs, conducting outreach activities related to the grant programs, and providing lead direction to SID staff.

Air Quality Specialists

The air quality specialists provide support for the SJVAPCD's incentive programs, including processing applications, conducting pre- and post-monitoring, auditing application files, providing excellent customer service to applicants, and maintaining the department database.

Staff Technicians

The staff technicians provide support for all SJVAPCD incentive programs and are responsible for grant reporting, handling program funding and contracts, and general program inquiries.

Air Quality Assistant

The air quality assistant is responsible for the operation of the SJVAPCD's Smoking Vehicle Program, provides additional staff support related to the SJVAPCD's incentive programs, and conducts database and file maintenance.

Student Assistant

The student assistant performs a wide range of general office and/or paraprofessional work in support of the SID as well as SJVAPCD-wide activities and functions.

Other SJVAPCD Staff

Operation of the SJVAPCD's incentive programs involves staff in various departments throughout the SJVAPCD. The SID has access to resources in the Finance, Information and Technology, Outreach and Communication, and Compliance Departments. These departments have worked closely with the SID in implementing successful incentive programs and will be highly involved in implementing the Proposition 1B Program. SJVAPCD Compliance staff is located in all three of our regional offices (Bakersfield, Fresno, and Modesto) and is available to conduct pre- and post-monitoring inspections in a timely manner. The role of the Compliance staff is critical during the implementation phase of this program as this department will be responsible for the timely inspections of selected vehicles in the Program.

Over the previous year, with a staff of up to 33, the SID was able to process about 7,600 applications, contracting about \$93.9 million. Based on the expected limited variety of projects in the Program, and the experience administering similar programs, the SJVAPCD is confident that Proposition 1B Program applications and funds can be processed and expended in accordance with the approved guidelines. The SJVAPCD is requesting a greater amount of Program Funds than historical workload data would seem to justify based on the assumption that certain economies of scale can be achieved. These assumptions are based on the following:

- Continuous improvement from lessons learned in implementing large-scale incentive programs, including previous Proposition 1B program funding years.
- Numerous streamlining and operational efficiencies that have been implemented in the incentive programs and continue to be refined and improved upon as a result of an Internal Management Audit and staff suggestions.
- Increased use of technology to automate many functions through use of the new Grant Management System database.

Recent audits conducted by the ARB and State Department of Finance established that the SJVAPCD operates highly efficient incentive programs. With the experience gained from operating prior and current incentive programs, the SJVAPCD will be able to maintain the highest degree of efficiency while operating under an increased incentive budget.

Staffing Summary

Based on a history of operating highly successful and efficient grant programs, the SJVAPCD is well positioned to administer Proposition 1B Program funds. The SJVAPCD has proactively increased staff in the SID as well as an increased staff in the Finance, Information Technology Services, and Compliance Departments in order to handle the increased workload. The SJVAPCD is confident that an increase in staff will allow the continued efficient operation of all incentive programs, including the Proposition 1B Program. The SJVAPCD Governing Board has committed to adding staffing resources to the incentive programs, when necessary. The SJVAPCD anticipates continuing the high standards that have been established in the Proposition 1B Program.

Project Schedule

The schedule below is for illustrative purposes only and all lengths of time are estimates.

Equipment project solicitation period, including marketing/outreach	12 weeks
Equipment project application review period	20 weeks
Competitive ranking and selection of equipment projects and web-posting	6 weeks
Equipment owner notification period	4 weeks
Application processing, equipment pre-inspection, and applicant information verification period.	60 weeks
Contract signature period	100 weeks
Equipment post-inspection period	150 weeks
Liquidation period	200 weeks

Certification to Comply with Program requirements

The SJVAPCD has the ability and intent to fully and effectively satisfy each of the local agency project implementation requirements detailed in these guidelines. In order to meet these requirements, the SJVAPCD will structure its program as described below.

Support Public Participation

SJVAPCD staff has been available to answer questions regarding upcoming funding, sent notifications via the SJVAPCD e-mail notification lists, has hosted meetings via video teleconference (VTC), fielded media phone calls, and posted all pertinent documents online for the public to view. Meetings have been advertised and the public has the opportunity to participate in these meetings.

Additionally, the SJVAPCD website includes information on how the public, locomotive owners, small business and community members can participate in

this program and links to websites that provide information and other grant opportunities. This is intended to enhance community, industry, and public participation and provide entities with the knowledge.

Conduct Marketing and Solicit Equipment Project Applications (Including Targeted Outreach and Assistance)

Numerous avenues of outreach have been explored to make potentially-eligible recipients aware of Proposition 1B funding. The SJVAPCD has worked with an independent advertising agency to develop a comprehensive and cost-effective marketing and outreach strategy. To better inform potentially eligible recipients, the SJVAPCD has provided outreach to dealers, dismantlers, small businesses, and the public. The following outreach methods may be used to publicize Proposition 1B funding availability:

- Direct phone calls, e-mails, and informational mail-outs to eligible entities
- Preparation and distribution of informational literature to target industries
- Local public television and radio
- Media releases
- Print media
- Discussing Proposition 1B at all applicable SJVAPCD meetings

The SJVAPCD will have an informational packet available to equipment owners who may be interested in applying for funding. The packet will include the following information: application submittal information (how, where, by when, and to whom); description of the Proposition 1B Program and purpose for the solicitation; the equipment eligible for Proposition 1B Program funding, including equipment project requirements and conditions (e.g., equipment inspections and any associated requirement for the equipment owner to bring equipment to a designated location, scrapping of old equipment, legally binding contract and contract terms, etc.); limits on available funding per piece of equipment; equipment application disclosure language, and clear statement that new equipment funded by this program can only be purchased or ordered once the contract is signed between the equipment owner and local agency; the equipment project review and competitive ranking process for equipment projects; the payment process, including invoice payments and direct payments to vendors (as applicable); remedies for contract non-performance; the reporting requirements; and the ongoing equipment evaluation and auditing process.

Utilization of the Goods Movement Online Database

The SJVAPCD has used the Goods Movement Online Database to implement the Proposition 1B Program. The SJVAPCD will continue to do so, as specified by ARB.

Review and Competitively Rank Project Applications (Including Web Posting)

Applications will be dated and time stamped when they are received at the SJVAPCD Main Central Office in Fresno, California. All applications will be processed at the SJVAPCD's Main Central Office and entered into the SJVAPCD database by SID staff for analysis of completeness and accuracy. Participants will be sent a letter regarding the application status as complete or incomplete. Once an application is deemed complete, a letter will be sent to the participant confirming the complete status, explaining that the project is under review to determine the eligibility and incentive amount, and that SJVAPCD staff will contact the participants to schedule a pre-inspection site visit, if applicable. Projects will be evaluated to ensure eligibility, validity, and cost-effectiveness. Selected projects will be entered into the SJVAPCD database and Goods Movement online database. All information stored in the SJVAPCD database will be saved indefinitely on the SJVAPCD server, which is backed up on a daily basis. All letters, including complete and incomplete application letters, sent to applicants will be stored in the paper format in the project folder and in electronic format on the SJVAPCD's server, which is backed up daily.

The SJVAPCD will follow the ranking list developed by the Goods Movement Online Database.

Select Equipment Projects for Funding (including any local board/commission approval process)

The SJVAPCD uses the ranking list developed by the Goods Movement Online Database and select equipment projects for funding according to the Proposition 1B Guidelines for Implementation and available funding.

Conduct Equipment Pre-Inspections and Compliance Checks

After identifying equipment projects for funding year 2015-16, the SJVAPCD will conduct pre-inspections. The pre-inspections will occur prior to the execution of an equipment project contract and will be conducted by SJVAPCD Compliance staff.

The SJVAPCD will initiate compliance checks by transferring all projects into the Goods Movement Online Database. Once violations are identified by ARB staff, SJVAPCD staff will then notify equipment owners of any outstanding violations. The equipment owner must work with ARB staff to clear the violation prior to receiving any project funds.

Notify Equipment Owners of the Status of their Application

The SJVAPCD will notify equipment project applicants of their application status. Notifications will be in writing and will occur within a reasonable time after the end of the solicitation period.

Execute Equipment Project Contracts

The SJVAPCD will obligate funds for each equipment project as described in the Proposition 1B Guidelines for Implementation. These funding commitments shall become legally enforceable only through executed contracts between the local agency and equipment owner. At a minimum, an equipment project contract shall contain the provisions as listed in the Proposition 1B Guidelines for Implementation.

Ensure Equipment Scrappage Where Required

The SJVAPCD will collect all necessary information prior to scrap/disposal activities (e.g. during the pre-inspection). All information collected and recorded from the equipment will be readily accessible to verify that scrap and disposal procedures were conducted for the appropriate engine/vehicle. Documentation will be available to ARB or its designee to support ongoing program evaluations or audits as necessary.

The SJVAPCD will ensure that the old equipment is scrapped and associated materials disposed of in an environmentally acceptable manner (in accordance with the Proposition 1B Guidelines for Implementation and any applicable federal, state or local laws, regulations or requirements) by having SJVAPCD compliance staff or the dismantler take specific post-inspection photographs. Photographs taken of the scrapped equipment will be in accordance with Proposition 1B Guidelines for Implementation. If the dismantler takes the post-inspection photographs, the SJVAPCD retains the right to go to the dismantling site, at any time, to ensure the validity of photographs.

Post-Inspections

The SJVAPCD will conduct and document equipment post-inspections on all Proposition 1B funded equipment projects upon submittal of a complete Claim for Payment packet by the grantee. All hard-copy project folders will be numbered (this number will appear on all project correspondence and forms generated by the SJVAPCD and be used as the contract number) and will be organized numerically in filing cabinets at the SJVAPCD Fresno office. The SJVAPCD maintains a tracker that identifies when any of the folders are removed from the filing cabinet, where folders are taken to, and when they are returned to the filing cabinet. This ensures that at any time the project folders can be located quickly.

The database will be maintained by the SJVAPCD's Information Technology staff and backed up on a daily basis. The database will contain all of the projects' folder numbers and all significant information about the projects. It will enable staff to quickly and easily locate projects in the database, and project folders in the file cabinet in order to view all significant project information.

To ensure that post-inspections are conducted expeditiously and in accordance with Proposition 1B Guidelines for Implementation requirements, the SJVAPCD

database program tracks the date that all Claim for Payment Packages were received by the SJVAPCD, the date that the post-inspection was assigned to staff, and the date that the post-inspection report was received from staff. Staff will print a report from the database on a weekly basis to track post-inspections and follow up on any post-inspections that were assigned the previous week but were not completed. Furthermore, the SJVAPCD staff has developed training materials for inspectors to clearly explain the processes and requirements for post-inspections. Additionally, on a periodic basis, the SID staff works with the inspection staff to provide additional training as post-inspection requirements and inspection staff change.

Request Disbursements from ARB

The SJVAPCD will request grant funds from the ARB by submitting a Grant Disbursement Request for the maximum amount allowable, signed by the Executive Officer/APCO. The SJVAPCD Board has already approved a resolution giving the Executive Officer/APCO the authority to sign the Grant Disbursement Request form.

The SJVAPCD Finance Department staff processes funds received from ARB. SJVAPCD staff will include these funds in a Governing Board item in order for these funds to be added to the current SJVAPCD budget. Funds are deposited into the SJVAPCD interest bearing account by SJVAPCD Finance Department staff. The Finance Department staff tracks funds and information is stored in the Finance Department database. The fund name and amount is then entered into the SID grant management database. Both databases independently track funds by fund name and maintain interest earned under a separate fund name. The databases also independently track fund encumbrances and disbursements for projects. The Finance Department database and the SID grant management database are balanced and reconciled on a monthly basis.

Processing Invoices and Requests for Payment

All invoices will be processed and paid out as expeditiously as feasible. After contract execution, a Project Completion and Implementation Packet including an Agreement Terms and Conditions document, a copy of the executed contract, a Payment Procedures document, and a Project Summary is sent to the grantee. The Payment Procedures document includes forms and specific step-by-step instructions for the completion of the Claim for Payment Packet, including a list of all forms and documents that must be submitted as part of the Claim for Payment Packet in order for the grantee to receive payment.

Once the project is complete, the grantee submits a Claim for Payment Packet to the SJVAPCD, in accordance with the guidance in the Project Completion and Implementation Packet. The Claim for Payment Packet is reviewed for completeness and eligibility by SJVAPCD staff. As part of this review, SJVAPCD staff ensures that all forms have been completed and signed, all tax identification numbers match, and that pertinent invoices and receipts, valid certificates of

insurance, proof of old engine destruction, and all other applicable documents have been included. If any information or documents are missing, the grantee is notified.

If the information in the Claim for Payment Packet is complete and it appears that the equipment is eligible (e.g. the grantee did not receive the vehicle(s) prior to when the project contract was fully executed), a post-inspection is scheduled. The post-inspection is conducted in accordance with the requirements in the Proposition 1B Guidelines for Implementation and policies and procedures for post-inspection described in this document. A second eligibility review is performed if any of the information from the post-inspection differs from the information in the SID database or hard-copy project folder. Staff then reviews the invoice and deducts all ineligible costs. These ineligible costs include, but are not limited to, taxes, consulting services, license fees, registration fees and insurance fees. Staff will then submit a recommendation for payment for the lesser of the eligible costs or the funding cap to the SJVAPCD Finance Department. A check is issued by the Finance Department to the party named in the contract. Payments are made for full reimbursement costs, as per the executed contract, subject to adjustments according to the final itemized invoices submitted with the Claim for Payment Packet. If multiple engines/vehicles are purchased, payment can be made on a per engine basis as they are put into service.

Calculate and Report Earned Interest

All funds received, including Proposition 1B funds, are kept in a single non-segregated interest bearing account. The SJVAPCD Finance Department keeps accounting records, including a general ledger that separates each funding source into separate line items, and then further organizes earned interest into each funding source. The Finance Department database tracks each fund and the interest from each fund individually. It also tracks all encumbrances and disbursements from each account individually. This information is also tracked in the SID database. To ensure data integrity, the SID database and the Finance Department database are reconciled monthly.

The calculation of interest is based on an average daily balance. This is consistent for all funding sources administered by the SJVAPCD.

The SJVAPCD will include the most up-to-date available information regarding the amount of interest earned and expended on all Proposition 1B funds in semi-annual reports. SID staff will store a hard copy of these reports and electronic copies will be stored on the SJVAPCD server.

The SJVAPCD does not currently have a destruction policy document, thus all documents of earned interest generation and disbursements are retained indefinitely. Electronic records are also retained indefinitely.

Assess Ongoing Compliance

The SJVAPCD continuously assesses projects and ensures on-going compliance via contract conditions. The contract requires grantees submit annual reports documenting their usage and proof of current insurance. This is entered into the SID database and past-due letters are sent to any grantees that do not submit insurance or annual reports. Grantees that do not submit annual reports are not eligible to receive additional funding for other projects until these are received. If the insurance or annual reports are not received, or if the annual reports show that the applicant did not meet all contract conditions (including usage), the SJVAPCD will evaluate the projects and take all legal means to ensure that the reductions anticipated from the funding are achieved. This includes, but is not limited to, taking legal action to obtain repayment of the funds by any grantee that did not meet contract conditions. The SJVAPCD will then return the funds to the general fund for reallocation. SJVAPCD Finance Department staff will coordinate all returned funds.

The SJVAPCD will audit a statistically significant number of projects. Project audits will be performed by staff and reviewed by a senior member of the SID. Audited projects will receive a visit from SJVAPCD staff to verify performance expectations as outlined in their executed contracts. SID staff will verify the accuracy of all calculations, and confirm that the project information contained in the hard copies of the applications matches the SID database and inspection reports. If any of the information does not match, SID staff will take appropriate actions, which may include, but is not limited to, correcting the SID database and hard-copy project file and/or seeking return of funds.

Reporting to ARB

The SJVAPCD will submit requested reports to ARB electronically or as hard copies. A project completion report will also be submitted once all Proposition 1B funds have been expended and the Finance Department and SID databases have been reconciled. This will occur within six (6) months of the SJVAPCD's full liquidation of Program funds.

The reports mentioned above and any other information requested by ARB will be submitted before the deadlines specified by ARB. These reports will be sent to ARB in a hard-copy format and copies of all reports and documents sent to ARB will be retained onsite by SID staff both in hard-copy format and in electronic format on the SJVAPCD server.

Currently there is no method for submitting these reports in an electronic manner to ARB, other than e-mail. However, if a database or other means for electronic submittal of these reports to ARB are developed, the SJVAPCD will work with ARB to ensure that all reports are entered into ARB's database in a manner reasonable to both the ARB and the SJVAPCD.

Participation in Program and Fiscal Audits

As part of their oversight responsibilities, ARB and other state agency staff may perform desk reviews of SJVAPCD projects, on-site monitoring, and audits. The SJVAPCD has staff available to participate in and help with any program and fiscal audits. The SJVAPCD commits to participate, to the extent requested, in program and fiscal audits.

The SJVAPCD has an internal audit policy where projects are randomly audited for quality control purposes. Auditing involves comparing documents in the hard-copy project folder with the information in the SID database as well as information gained from random on-site inspections. The SJVAPCD would make the results of these available to any state agency upon request.